UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

LG CAPITAL FUNDING, LLC

Plaintiff,

v.

VAPOR GROUP, INC.

Defendant.

Civil Action No.:

VERIFIED COMPLAINT

Plaintiff, LG Capital Funding, LLC ("Plaintiff" or "LG"), by and through its counsel, Garson, Ségal Steinmetz, Fladgate LLP, brings its Verified Complaint against Defendant, Vapor Group, Inc. ("Defendant" or "VPOR"), and respectfully alleges as follows:

THE PARTIES

1. Plaintiff LG Capital Funding, LLC is a limited liability company duly organized under the laws of the State of New York having a principal place of business located at 1218 Union Street, Suite #2, Brooklyn, New York 11225. All members of LG Capital Funding, LLC are citizens of New York.

2. Upon information and belief, Defendant Vapor Group, Inc. is a corporation organized and existing under the laws of the State of Florida having principal place of business located at 20725 NE 16th Avenue, Unit A48, Miami, Florida 33179. Vapor Group, Inc. is traded publicly on the Over the Counter Markets, or "Pink Sheets," under the symbol "VPOR."

JURISDICTION AND VENUE

3. This Court has jurisdiction over this action pursuant to 28 U.S.C. §1332(a)(2) in that the action is between citizens of different states and the matter in controversy exceeds the sum or value of $75,000, exclusive of interest and costs.

4. Venue is proper in this district pursuant to 27 U.S.C. §1391(a), in that it is a judicial district in which a substantial part of the events or omissions giving rise to the claims occurred, or a substantial part of the property which is subject of this action is situated; and it is the exclusive district which the parties agreed that the claims hereafter set forth can be brought.

STATEMENT OF FACTS

5. On or about October 8, 2014, VPOR issued a $115,500.00 8% Convertible Redeemable Promissory Note to LG ("Note 1") with a maturity date of October 8, 2015 ("Maturity Date"). A true and correct copy of the Note is attached hereto as **Exhibit A**.

6. On or about May 11, 2015, VPOR issued a $35,000.00 8% Convertible Redeemable Promissory Note to LG ("Note 2") with a maturity date of May 11, 2016. A true and correct copy of the Note is attached hereto as **Exhibit B**.

7. The substance of each Note is largely the same. Each Note has a designated maturity date, regular interest rate, default interest rate, conversion right and conversion reserve. Accordingly, Note 1 and Note 2 may be collectively referred to as the "Notes."

8. Each Note states that VPOR promises to pay to the order of LG the principal amount outstanding of each Note, as well 8% interest thereupon, on the respective maturity date. (Ex. A, p. 1; Ex. B, p. 1)

9. Further, the Notes provide that "[u]pon an Event of Default, interest shall accrue at a default interest rate of 24% per annum or, if such rate is usurious or not permitted by current law, then at the highest rate of interest permitted by law." (Ex. A, p. 5; Ex. B, p. 5)

10. Each Note also states that, "[i]f one or more of the following Events of Default shall occur...[t]hen, or at any time thereafter, unless cured within 5 days...the Holder may consider this Note immediately due and payable, without presentment, demand, protest or (further) notice of any kind." (Ex. A, p. 4; Ex. B, p. 4)

11. In addition to LG's return on investment vis-à-vis each Note's interest rates, Section 4(a) of each Note provided LG with the right to convert all or part of the outstanding and unpaid principal into shares of VPOR common stock (the "Common Stock"). (Ex. A, p. 2; Ex. B, p. 2)

12. LG opted to take advantage of its right to convert by converting a portion of the principal balance and interest of Note 1 on the dates and in the amounts set forth in the table below:

Conversion Date	Principal Converted	Interest Converted	Conversion Amount (Principal + Interest)
April 21, 2015	$8,000.00	$331.40	$8,331.40
May 4, 2015	$17,500.00	$774.79	$18,274.79

A true and correct copy of the April 21, 2015 Notice of Conversion is attached hereto as **Exhibit C.** A true and correct copy of the May 4, 2015 Notice of Conversion is attached hereto as **Exhibit D.**

13. After the conversions outlined above were duly made and honored, the remaining principal balance on Note 1 is $90,000.00.

14. No further conversions were executed under Note 1, and no conversions were executed under Note 2.

15. Shortly after honoring the conversion, on May 21, 2015, the Company became delinquent in its filings with the Securities and Exchange Commission despite an obligation to remain "current" pursuant to each Note. This delinquency caused the Event of Default contemplated by Section 8(m) of each Note.

16. Due to the above-mentioned delinquency and resulting Event of Default, both Notes became immediately due and payable on May 21, 2015. Interest accrued on each Note from that date and continues to accrue daily.

17. Each Note provides that "[n]either this Note nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the Company and the Holder." (Ex. A, p. 6; Ex. B, p. 6).

18. Additionally, the Notes state that "[n]o provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, and interest on, this Note at the time, place, and rate, and in the form, herein prescribed." (Ex. A, p. 3; Ex. B, p. 3).

19. As of the date of filing, the Notes possess a total value of $165,367.68, consisting of $129,515.07 in principal and accrued interest at the date of default and

$35,852.61 in default interest accrued thereupon. This amount continues to increase daily at the default interest rate. See the chart below for calculations.

LG Capital: VPOR Notes	Note 1	Note 2			
Face Value	$115,500.00	$35,000.00			
Converted Principal	$25,500	$0.00			
Balance	$90,000.00	$35,000.00			
Commencement Date	10/8/14	5/11/15			
Default Date	5/21/15	5/21/15			
Days of Regular Interest	225	10			
Days of Default Interest	421	421			
Regular Rate	0.08	0.08			
Default Rate	0.24	0.24			
Regular Interest Accrued = [(Balance x Regular Interest Rate) x (Days of Regular Interest/365)]	$4,438.36	$76.71		**Total Regular Interest**	$4,515.07
Balance on Default Date = Balance + Regular Interest Accrued	$94,438.36	$35,076.71		**Total Balance on Default Date**	$129,515.07
Default Interest Accrued = [(Balance on Default Date x Default Interest Rate) x (Days of Default Interest/365)]	$26,142.61	$9,710.00		**Total Default Interest Accrued**	$35,852.61
Total Due and Owing on 7/15/16 = Balance on Default Date + Default Interest Accrued	$120,580.96	$44,786.72		**Total Due and Owing as of 7/15/16**	$165,367.68

20. In addition to the principal and interest, the Notes provide that "[i]f the Holder shall commence an action or proceeding to enforce any provisions of this Note, including, without limitation, engaging an attorney, then if the Holder prevails in such action, the Holder shall be reimbursed by the Company for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding." (Ex. A, p. 5; Ex. B, p. 5).

21. On or about April 6, 2016, LG, through counsel, sent VPOR a letter notifying LG of its defaults and requesting that VPOR immediately remit payment to LG. A true and correct copy of the April 6 Letter is attached hereto as **Exhibit E**.

22. VPOR has patently failed to make any payments due and owing under the Notes.

First Claim for Relief
(BREACH OF CONTRACT)

23. LG re-alleges and incorporates by reference each and every allegation contained in paragraphs 1 through 22 of this Verified Complaint as if fully set forth herein.

24. A valid contract exists between the LG and VPOR.

25. LG performed all of its obligations under the contract.

26. VPOR breached the contract by failing to pay the monies due and owing to LG.

27. LG has been damaged by VPOR's failure to perform.

28. LG, therefore, is entitled to an award of damages in an amount to be determined at trial, but not less than one hundred and sixty-five thousand dollars ($165,000).

Second Claim for Relief
(Unjust Enrichment)

29. LG re-alleges and incorporates by reference each and every allegation contained in paragraphs 1 through 28 of this Verified Complaint as if fully set forth herein.

30. VPOR has failed to make restitution for the monies loaned to it by LG pursuant to the terms of the Note.

31. VPOR accepted the money under such circumstances that it created a legal or equitable obligation to account for the money, but it has not paid LG.

32. LG, therefore, is entitled to an award of damages in an amount to be determined at trial, but not less than one hundred and sixty-five thousand dollars ($165,000).

Third Claim for Relief
(Costs, Expenses & Attorneys' Fees)

33. LG re-alleges and incorporates by reference each and every allegation contained in paragraphs 1 through 32 of this Verified Complaint as if fully set forth herein.

34. In accordance with the terms of the Notes, VPOR agreed to pay all costs and expenses, including reasonable attorneys' fees and expenses, incurred by LG in collecting any amount under the Note.

35. Therefore, LG is entitled to an award against VPOR for costs and expenses incurred in the prosecution of this lawsuit, including reasonable legal fees.

Prayer For Relief

WHEREFORE, Plaintiff LG CAPITAL FUNDING, LLC seeks judgment against Defendant VAPOR GROUP, INC. as follows:

i. On the First and Second Claims for Relief, for damages in an amount to be determined at trial, but not less than one hundred and sixty-five thousand dollars ($165,000); and

ii. On the Third Claim for Relief for an award of LG's costs and expenses in prosecuting this action, including reasonable legal fees; and

iii. On all Claims for Relief, for interest, attorneys' fees and the costs and disbursements of this action; and

iv. For such other further relief as the Court may deem just, proper, and in the interest of justice.

Dated: New York, New York
July 15, 2016

RESPECTFULLY SUBMITTED,
GARSON, SEGAL,
STEINMETZ, FLADGATE LLP
ATTORNEYS FOR PLAINTIFF

BY: /s/
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VERIFICATION

STATE OF NEW YORK:
SS.
COUNTY OF KINGS:

Joseph Lerman, who because of his religious beliefs does not swear an oath, affirms the following to be true under penalty of perjury:

I am a Member of LG Capital Funding, LLC, and am familiar with the events referenced in the Verified Complaint.

I have reviewed the Verified Complaint and based on my review of our files and my personal involvement in the dealings of LG Capital Funding, LLC, the factual matters contained herein are true to the best of my knowledge.

Joseph Lerman

Affirmed to before
me this 14th day of July, 2016

Notary Public

LEVI KATZOFF
NOTARY PUBLIC
STATE OF NEW YORK
NO. 02KA6284891
QUALIFIED IN KINGS COUNTY
COMM. EXP. 07/01/2017